

cc: 92-237

4140 Clover Street
Honeoye Falls, New York 14472-9323

EX PARTE OR LATE FILED

January 22, 1999

Lawrence E. Strickling
Chief, Common Carrier Bureau
Federal Communications Commission
1919 M Street NW
Washington, D. C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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FEDERAL COMMUNICATIONS COMMISSION
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Dear Mr. Strickling:

This letter and the enclosures included with it are in response to the Public Notice released January 7, 1999 (DA 99-117, NSD File No. 98-151) by the Common Carrier Bureau (Bureau) in which the Federal Communications Commission (FCC) sought comment on the request for review of the transfer of the Lockheed Martin Communications Industry Services (CIS) business. In that Notice the North American Numbering Council (NANC) was requested "to provide its input to the Bureau on the issues and questions that should be directed both to Lockheed Martin and to Mitretek" by January 22, 1999.

The NANC considered that request in a Conference Call meeting held on January 7, 1999, during which the NANC appointed an issue management group to prepare a report for consideration at its meeting of January 19 and 20, 1999. Representatives of CIS, Warburg, Pincus & Co. and Mitretek Systems (Mitretek) were present at the January 7 meeting, and made presentations and answered questions posed to them by NANC members and other interested parties. Representatives of CIS and Mitretek were present at the meeting of January 19 and 20.

Enclosed is a copy of the approved minutes of the January 7 meeting together with the documents introduced at that meeting. There is also included a copy of the report of the NANC issue management group as amended by the NANC on January 20, 1999 entitled Lockheed Martin CIS Issue Management Report, a copy of a letter dated January 19, 1999 from Mr. Jeffrey E. Ganek, Senior Vice President and Managing Director, Lockheed Martin IMS, CIS, to me with Answers to NANC Questions to the Communications Industry Services (CIS) Unit of Lockheed Martin Concerning Its Proposed Corporate Restructuring, a copy of a letter to me from Dr. Henry Kressel, Managing Director, E.M. Warburg, Pincus & Co., L.L.C. with Answers to NANC Questions to Warburg, Pincus Concerning the Proposed Corporate Restructuring of the Communications Industry Services (CIS) Unit of Lockheed Martin, and a document provided by Dr. H. Gilbert Miller, Vice President, Center for Telecommunications and Advanced Technology, Mitretek Systems, entitled Answers to Questions Posed to Mitretek Systems During the NANC Conference Call Meeting 7 January 1999.

In adopting the report of the issue management group, the NANC agreed that "Many issues and questions were addressed satisfactorily on the NANC conference call by both Lockheed Martin and Warburg Pincus. However, Warburg Pincus should provide detailed written responses to the questions asked on the NANC conference call". A number of issues were addressed by Lockheed Martin and Warburg, Pincus (Warburg) during the January 7 meeting as indicated in the minutes of that meeting. We would draw attention to these questions in the event that the FCC may want to redirect any or all of them. On pages 5 and 6 of the minutes, the question of Warburg's proposed financial support of CIS is addressed; neutrality is discussed on page 6, as are personnel staffing and commitments to price and other terms and conditions. Specific questions directed to CIS and Warburg begin toward the end of page 6 and continue through page 8.

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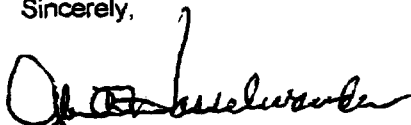
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The minutes cover the Mitretek presentation beginning on the bottom of page 8. Questions of Mitretek appear in the first two paragraphs on page 10.

As requested in the January 7, 1999 letter from Yog R. Varma, Deputy Chief, Common Carrier Bureau to me, the NANC is preparing to provide comments and recommendations on this matter by March 17, 1999.

Sincerely,

A handwritten signature in black ink, appearing to read "Alan C. Hasselwander". The signature is fluid and cursive, with a large initial "A" and "H".

Alan C. Hasselwander
Chairman, North American Numbering Council

cc: Yog R. Varma, Anna Gomez, Kris Monteith, Jared Carlson, Jeannie Grimes, Ron Binz, Jeff Ganek, H. Gilbert Miller

Enclosures: 5

North American Numbering Council Conference Call Meeting Minutes
Thursday, January 7, 1999

I. Time, Date and Place of Meeting. The North American Numbering Council held a conference call beginning at 1 p.m. and concluding at 2:35 p.m. Frontier Communications provided the conference bridge number, 1-800-724-5055, PIN "NANC."

II. List of Attendees - the following NANC members and alternates were present on the call:

- | | | |
|-----|---------------------------|-------------------------------|
| 1. | Lisa Saron | American Mobile Satellite |
| 2. | Ed Gould/Shawn Murphy | AT&T |
| 3. | Daniel Hochvert | Bell Atlantic |
| 4. | Lori Messing | CTIA |
| 5. | Ronald Binz | Competition Policy Institute |
| 6. | Alan C. Hasselwander | Frontier Communications |
| 7. | Bernie Harris | GTE |
| 8. | Peter Guggina | MCI WorldCom |
| 9. | Gerry Thompson | Mobility Canada |
| 10. | Erin Duffy | NARUC |
| 11. | Bruce Armstrong | NARUC |
| 12. | Beth O'Donnell | NCTA |
| 13. | Lawrence Krevor | Nextel Communications |
| 14. | Dan Gonzalez | Nextlink Communications |
| 15. | Ray Strassburger | Nortel Networks |
| 16. | Jerry O'Brien | Omnipoint |
| 17. | Trent Boaldin | OPASTCO |
| 18. | Cathy Handley | PCIA |
| 19. | Bill Adair | SBC Communications |
| 20. | Loren Sprouse, Ron Havens | Sprint Corporation |
| 21. | Jacques Sarrazin | Stentor Resource Centre, Inc. |
| 22. | Paul Hart/Tony Pupek | USTA |

Special Members (Non-Voting):

John Manning	ATIS
Leo Mevel	CRTC

FCC Staff:

Kris Monteith	Designated Federal Official
Jared Carlson	Network Services Division (NSD), CCB
Jeannie Grimes	NSD, CCB

III. Estimated Public Attendance: Approximately 32 members of the public attended the meeting as observers.

IV. Documents Introduced.

- (1) Public Notice, DA 99-117, FCC Seeks Comment on Request for Expeditious Review of the Transfer of the Lockheed Martin Communications Industry Services Business, Released January 7, 1999.
- (2) January 7, 1999 Letter from Yog R. Varma, Deputy Chief, Common Carrier Bureau, FCC, to Alan Hasselwander, Chairman, NANC, Re: North American Numbering Plan Administration
- (3) Chairman Hasselwander Email Contribution: "Some Issue and Questions Concerning the Request of Lockheed Martin to Transfer the Communications Industry Services (CIS) Business"
- (4) NANPA Oversight Working Group questions concerning Lockheed Martin/CIS/Warburg Pincus Transition

V. Summary of the Meeting:

A. Welcoming Remarks and Review of Agenda. Chairman Hasselwander called the role and reviewed the agenda. Chairman Hasselwander stated that first, Kris Monteith, FCC, will review the FCC Public Notice (DA 99-117) and the January 7, 1999, letter from Yog R. Varma, Deputy Chief, Common Carrier Bureau (Bureau), that provides direction to the NANC regarding its role in the review of the Lockheed Martin divestiture request. Chairman Hasselwander stated that questions concerning the FCC procedures will be entertained thereafter. Second, Lockheed Martin and representatives from Warburg Pincus will make a statement, and an opportunity for questions and answers will be provided. Third, Mitretek will also make a statement and the same opportunity for questions and answers will be provided. Next, the NANPA OS WG will report its position on this issue. Finally, the NANC will decide today how it will proceed given the request and direction provided by the FCC in the letter and the Public Notice of January 7, 1999.

Ms. Monteith announced that today the Common Carrier Bureau released a Public Notice, which was sent to all NANC members and will be posted on the NANC web page. The Public Notice outlines the procedures that the FCC will follow for gathering public input on the December 21 filing by Lockheed Martin. Concurrently, the Bureau, by letter to Al Hasselwander, as Chair of the NANC, sets forth the Bureau's request for NANC input.

Ms. Monteith stated that the Bureau, and the Commission, believe that very significant issues are involved in the Lockheed Martin request for transfer of the NANP responsibility to a new entity. For this reason, the Bureau determined to follow a different procedure for the gathering of public input on the issues. The procedure the Bureau has adopted is aimed at ensuring that the Bureau fully addresses all issues involved in this important matter, as the Bureau and the Commission move forward. Specifically, the Bureau will be seeking input on issues and questions that the FCC should be thinking about in its consideration of whether to grant Lockheed Martin's request, with or without conditions. Ms. Monteith stated that, in adopting this procedure, the Bureau is not passing judgment on the filing or suggesting that

the filing is deficient in any way; rather, the Bureau simply is trying to ensure that it has the benefit of input from the public and considers all issues involved in this matter. Ms. Monteith stated that the Bureau and the FCC want a smooth transition to the new NANPA, whether it is the CIS unit or the alternate, Mitretek. The Commission also wants to ensure that the industry is not facing this situation again in a year or two.

Ms. Monteith stated that the Issue/Question due date is January 22, 1999. Ms. Monteith also stated that the Public Notice sets for the procedure that the Bureau and the Commission will follow after receiving input from public on January 22, 1999. Specifically, the Bureau will evaluate the questions and issues from the public and develop a consolidated list of questions to send to Lockheed Martin. The Bureau's review of the input received from the public will be intended to avoid duplication of questions/issues and to ensure that the questions/issues are relevant to the subject matter underlying Lockheed Martin's request. This review also is intended to ensure that the Bureau does not impose an undue burden on Lockheed Martin in requesting that Lockheed Martin respond to this list of issues/questions. Lockheed Martin will be required to respond to the list sent by the Bureau within 15 days.

Ms. Monteith explained that the FCC then will issue a second Public Notice seeking comments on Lockheed Martin's responses and, generally, on Lockheed Martin's December 21, 1998 filing. Those comments will be due on March 17, 1999.

Ms. Monteith then explained that the Public Notice recognizes Mitretek as the alternate NANPA. For this reason, the Bureau also seeks input from the public on questions and issues that should be directed to Mitretek. That public input also is due on January 22, 1998, and the Bureau will use the same procedures -- that is reviewing the questions/issues for duplication and relevance, and permitting Mitretek to respond within 15 days after receipt of the Bureau's questions. Public input directed to Mitretek's responses to questions and on the issue of Mitretek's standing and status overall will be due by March 17, 1999.

Ms. Monteith reviewed the letter from Yog R. Varma, Deputy Chief, Common Carrier Bureau, to Al Hasselwander, Chair, NANC. Ms. Monteith stated that the Bureau recognized in the letter that NANC's input on these questions is important. The Bureau has requested the NANC's input on issues/questions that should be directed to Lockheed Martin and to Mitretek as the Commission moves forward on Lockheed Martin's request by January 22, 1999. Ms. Monteith stated that the Bureau also would greatly appreciate NANC's recommendation and input on Lockheed Martin's December 21, 1998, filing by March 17, 1999. Finally, Ms. Monteith stated that the Bureau hopes that the procedure the Bureau has adopted in this proceeding will be a very helpful procedure and will assist in ensuring the appropriate decision by the Commission. Ms. Monteith then asked for questions.

Bruce Armstrong, NARUC, noted with regard to Mitretek versus CIS/Warburg Pincus, that the other piece to consider is the LNPA function, now performed by Lockheed Martin. Mr. Armstrong questioned what will happen to the LNPA piece if Mitretek becomes the NANPA. Ms. Monteith responded that Mitretek is only designated as the alternate for the

NANPA function; however, the Bureau does seek comment on the interplay between the two functions. Bernie Harris, GTE, asked for clarification on whether the FCC is just asking for questions at this point, and not a recommendation, as of yet. Ms. Monteith responded affirmatively, noting that the Bureau has adopted a two step process, intended to gather all the facts necessary to conduct a full review before the FCC.

Chairman Hasselwander stated that March 17 is the second day of the March NANC meeting. Chairman Hasselwander suggested that, at this meeting today, the NANC might consider asking for volunteer issue managers -- it might be useful to select two or three -- who could move the issues forward.

Bernie Harris, GTE, questioned whether the FCC has considered the neutrality rules as static and whether the NANC should look at the Lockheed Martin proposal under the existing rules. Ms. Monteith stated that the FCC rules on neutrality should be considered as a benchmark; the FCC does not want to discourage comments or suggestions for rules to be changed or modified. The FCC would not preclude changing the guidelines or the criteria if necessary. Dan Hochvert, Bell Atlantic, expressed the view that the NANC could go very far afield if it is allowed to modify neutrality conditions. He asked that Ms. Monteith put in perspective what changes might be appropriate. Ms. Monteith confirmed that the FCC also does not want the NANC to start from scratch on the neutrality criteria that were established a year or so ago. Ms. Monteith clarified that the FCC simply does not want to preclude comment on any issues. Ms. Monteith also noted that the deadline set for the development of issues/questions is a tight one and, accordingly, would not permit the revisiting of the neutrality criteria in a very detailed way. Chairman Hasselwander stated that, in his opinion, if the NANC wanted to revisit neutrality, it would need a very substantive reason for doing so. Ms. Monteith also noted that if the NANC believes changes in the neutrality criteria are warranted, that might be the type of comment best made in the context of the NANC's recommendation on the Lockheed Martin filing and Mitretek's status overall.

Ron Binz noted he had received Mr. Varma's letter to NANC and asked Ms. Monteith to explain the link between input that will be received over the next two weeks and the subsequent review of the Lockheed Martin application. Ms. Monteith explained that the procedure in the Public Notice looks for issues and questions by January 22, both from the public in general and from the NANC. This input from the public and the NANC will be evaluated by the Bureau for appropriate relevance and to ensure no duplication of issues/questions. Ms. Monteith stated that the procedure is a quasi-discovery type of procedure. The Bureau then will develop a list of questions/issues that will be sent to Lockheed Martin and a separate list of question/issues to be sent to Mitretek. Lockheed Martin and Mitretek will be expected to respond to the issues/questions within 15 days of receipt of list from the Bureau. The Bureau then will issue a second Public Notice in which it requests comments on the Lockheed Martin and the Mitretek responses, as well as on the Lockheed Martin filing in general.

Beth O'Donnell asked whether the FCC is concerned over the change in NANPA before the end of the five year term. Ms. Monteith noted that the FCC is concerned about that issue and stated that the Bureau wants the benefit of the industry's thoughts and concerns on that issue. Ed Gould, AT&T, remarked that other issues are present in considering the LNPA function and the LLCs. Chairman Hasselwander added that he presumed that comments and questions are not restricted to NANPA or to NPAC administration. Ms. Monteith responded that the Public Notice seeks comment on the impact of the transfer of the NANPA function on the LNPA/LLCs. Anne La Lena, MCI WorldCom, added that the LLCs hold the NPAC contracts and that those contract include language on neutrality. She confirmed that the LLCs have a definite role to play in considering the LNPA.

Bruce Armstrong, NARUC, asked if the January 22 questions to Mitretek will address the issue of "default" and whether the FCC will decide the legal issue of whether a "default" has occurred. Ms. Monteith confirmed that the FCC will address the question of default when it evaluates the Lockheed Martin filing.

Bill Adair, SBC, questioned whether the public notice addresses the ongoing CO Code Administration transition and whether that will continue during this evaluation period. Ms. Monteith responded that the FCC expects no disruption whatsoever to transition schedules.

Lockheed Martin Presentation. Chairman Hasselwander provided a contribution, by email, to NANC members and other concerned parties as background prior to this meeting. The contribution suggests issues and questions that could be directed to Lockheed Martin and to Mitretek.

Jeff Ganek, Lockheed Martin, made the Lockheed Martin statement to the NANC. Mr. Ganek stated that Warburg, Pincus (Warburg), as an investment source, does not have the same neutrality concerns as an operating company such as Lockheed Martin's CIS unit. Mr. Ganek noted that representatives of Warburg were on the call, would join the discussion and would describe Warburg's aims. Mr. Ganek first addressed the question of why Lockheed Martin had chosen Warburg -- because it is a stable financial source and is known as a long term investor of companies.

Henry Kressel, Warburg, stated that Warburg's intent of investing in CIS is based on finding interesting enterprises and emphasized that Warburg is not an operating company, only an investor. From the private entity side, Warburg invests in organizations; it helps and supports management teams implement strategic plans which have been approved by Warburg. Mr. Kressel stated that Warburg builds businesses to provide a good return on its equity fund. Mr. Kressel also stated that, on average, Warburg invests for a long period -- 10 years or so -- and that it stays with investments. Further, Warburg participates as a member of the Board of Directors only; the operating companies are managed by the management team, like Jeff Ganek in the case of CIS. Mr. Kressel stated that Warburg has a very long term outlook, long-term expectations for a successful business for its customers and fully supports what the management has presented.

Mr. Ganek stated that neutrality is a prime concern for CIS and Warburg. He noted that Warburg has de minimus investments in telecommunication entities at this point. However, because neutrality is of great importance, Lockheed Martin and Warburg are committed to a code of conduct to ensure neutrality is maintained. Mr. Ganek stated that the new entity will maintain the confidentiality of all data, will ensure that all service providers are treated equally and will ensure that no Lockheed or Warburg affiliate is treated more favorably. Mr. Ganek also noted that CIS and Warburg have committed to quarterly neutrality audits to be conducted at CIS expense by a neutral fourth party entity. As a result of their significant financial support and dependence on CIS for management, Mr. Ganek expressed the view that Lockheed Martin believes Warburg is well-suited to oversee the CIS unit as an investment.

Mr. Ganek then noted that concern has been expressed about the 5% interest in CIS that will be retained by Lockheed Martin. Mr. Ganek stated that Lockheed Martin is committed to the CIS unit and has committed its own capital to the restructuring. Although Lockheed Martin recognizes that neutrality must be maintained, Lockheed Martin believes it can hold up to a 5% stake without violating the neutrality criteria. Mr. Ganek noted that Lockheed Martin will not be on the Board, nor will it have any authority or influence on the direction of CIS. Mr. Ganek stated that the NANPA is a critical operation -- and Lockheed Martin is committed to a seamless transition and will deliver the same services with the staff. Staff such as Chris Rowe, Joe Franklin, Mark Foster, Jeff Ganek and other staff and technical support will join the new CIS. For the industry, Mr. Ganek stated that this means there will be no changes in terms or conditions or price with either NPAC or NANPA functions; Warburg commits to the same terms and conditions that Lockheed Martin is operating under.

Mr. Ganek stated that the new CIS unit believes it has the resources available to grow as required. He also stated that Warburg will have as much, if not more, cash resources available to devote to the new CIS. Mr. Ganek noted that Warburg is in the business to support its long term investment; it has 6 billion in equity investments, plus a new fund of 5 billion for new companies. Mr. Kressel stated that Warburg holds investments for many years and noted that Warburg's 10-15 year investment horizon is longer than the CIS contract to provide NANPA. Finally, Mr. Ganek indicated that Lockheed Martin, Warburg, and CIS are committed to working with the NANC and the industry on the acceptance of the restructured CIS unit.

Chairman Hasselwander opened the discussion to questions from NANC members, stating that it is important to ask clarifying questions for next several minutes. Ron Havens, Sprint, questioned the length of Warburg's investment in the CIS unit. Mr. Kressel stated that 5-7 years is the average holding period for Warburg but the period of investment in other cases has exceeded 10 years. While lots of investment firms invest for a period of months rather than years, Warburg is not in that category.

Bill Adair, SBC, questioned what would happen if the investment "went south" given that the investment is made for profit. He also asked about the breadth of activities, and whether management has flexibility to modify those activities in the future. Joe Landy responded they

are driven by the market and that they do not manage these companies. He noted that Warburg asks question on the operations of the company, but it does not participate in the management of the company. He stated that if the investment "went south," the Board would be very interested in why. For example, is the market developing fast enough or is the corporation poorly managed. Joe Landy stated that there are a variety of things that Warburg might do, but no specific answers that he can give at this point. He also noted that the Board maintains the flexibility to modify the business, but it relies on business experts to advise it. Mr. Kressel added that the Board of Directors has the obligation to meet the needs of customers.

Cathy Handley, PCIA, asked who will be on the Board and how Warburg intends to establish the board. Henry responded that the Board would consist of the CEO of CIS, Jeff Ganek, Warburg representatives, and experts with an independent point of view on the operations of the business to get a thorough calibration of the investment. The criteria for a Board members would be a strong knowledge and expertise. Ms. Handley further asked whether this would include telecommunications industry experts in local number portability, anyone from the LLCs or any individuals with numbering backgrounds. Mr. Kressel responded that it depends on what is needed, adding that it could be a technical expert but it could not be non-neutral external business person who offers an independent view.

Dan Hochvert, Bell Atlantic, questioned the commitment of Warburg to the fulfilling the remainder of the four year NANPA term. Mr. Ganek stated that the commitment of CIS, as a free standing independent entity, is to provide neutral third party services for the life of the contact with the LLCs and NANPA pursuant to the FCC's orders. The CIS is fully committed to doing that. Mr. Ganek indicated that the CIS is currently operating in a profitable mode. He also stated that Warburg is the financing source for this free standing company - because of its 40 year history of relying on management teams to deliver services. Mr. Hochvert repeated his question -- will Warburg be committed to stay with the NANPA function for the balance of the contract. Joe Landy responded that Warburg would be very disappointed in it could not stay with the contract but added that no one can predict what will happen. Mr. Ganek added that Lockheed Martin had spoken with many potential acquirers; in his view, Warburg's record and commitment to this kind of corporation, and the proposed CIS structure, is as stable and reliable as any available in the market place today.

Trent Boaldin, OPASTCO, inquired about the source of funds of Warburg, specifically whether any pension funds possibly from telecommunications companies might be at issue. Joe responded that there are none that are in excess of 2.5% of the total fund. He also noted that the partnership is controlled by the general partners and the limited partners are Warburg Pincus Equity Partners, Ltd. He stated that Warburg does not manage a telecommunications fund. Instead, Warburg markets and distributes services for the funds; no management activity is involved.

Lisa Sarno, AMSC, asked about the size of the Warburg telecommunications fund. Mr. Kressel responded that it was less than a \$10 million fund, which was started in the Fall

of 1998. He opined that the fund is extremely small and the value is low. Peter Guggina, MCI WorldCom, asked about the total value of the Warburg "war chest." Henry stated it is \$6 billion in funds fully invested. The \$5 billion fund, out of which CIS is funded, has minimal telecommunications-related investments, less than 5% of total. Brent Struthers, Illinois Commerce Commission, asked about the extent of Warburg's activity in the new telecommunications fund and the future relationship. Mr. Kressel stated that, as fund manager, Warburg prints brochures and distributes them; functionally, it has offered nothing more than credit services.

Peter Guggina, MCI WorldCom, questioned whether Warburg has other plans to expand into third party services in the telecommunications industry. Mr. Kressel stated there are no plans at this time. Moreover, he stated that if an opportunity exists at some point in the future, Warburg will be guided by the neutrality provisions, the "Code of Conduct" and the quarterly neutrality audits of CIS.

Richard Bartel, Communications Ventures, asked if this is a Delaware limited partnership. Mr. Kressel responded affirmatively. He indicated that the general partner, Warburg, Pincus and Company, is registered in New York.

Mr. Ganek stated that CIS Business unit will be managed and directed by the current employees of CIS; additional employees will be recruited from the telecommunications industry, as needed. Mr. Ganek stated that there will be no cross-over of CIS employees to Warburg. Joe Landy stated that if Warburg attempted to do that, Warburg would have a quite a problem with Jeff Ganek. Jerry O'Brien, Omnipoint, asked if there is no objection, whether CIS could include a statement to that effect. Mr. Ganek indicated that if that level of comfort is needed, Lockheed Martin would do so.

Chairman Hasselwander asked Mr. Ganek the extent to which CIS had relied on Lockheed Martin, outside of CIS, for technical support, for the creation of software, for hardware, or for consultation on technical issues. Mr. Ganek stated that all of the staff, facilities and capabilities, that have made a material contribution to the development of the NANPA and NPAC have always been in the CIS unit; no material contributions were made by Lockheed Martin staff outside of the CIS unit. He indicated that all technical capabilities on LNP, industry standards, the development of SMS, interface testing and on inter-operability were performed by CIS employees. He did indicate that CIS had gone outside into the market place for technical support when and where needed. Mr. Ganek indicated that the CIS unit had performed on time, on specification and on budget over the last two years.

There being no further questions, Chairman Hasselwander thanked Mr. Ganek and the Warburg representatives for their participation.

Mitretek Presentation. Chairman Hasselwander introduced Dr. Gilbert Miller, Mitretek Systems, and David Weitzel and John Logan, Wallman Consultants.

Dr. Miller stated he last addressed the NANC in May 1997, when it decided in favor of Lockheed Martin as the NANPA because of its lower price. Dr. Miller indicated that, at that time, adequate staffing was a concern of Mitretek. Early on in the process, Mitretek also raised concerns about Lockheed Martin's neutrality because of its interest in satellite systems. Dr. Miller indicated, however, that the FCC found those interests to be *de minimis*. The FCC accepted the NANC's recommendation to the Commission that Lockheed Martin be selected as the NANPA. Dr. Miller stated that Mitretek, however, has indicated to the FCC and to the NANC Chair, that is willing and capable of filling its role as alternate NANPA.

Dr. Miller indicated that Mitretek's proposal remains unchanged. He stated that the May 1997 proposal was a substantive one, and that the NANC Evaluation Team had given the proposal high marks. Dr. Miller characterized Mitretek as the single non-government entity capable of providing neutral numbering administration. Dr. Miller indicated that Mitretek's corporate characteristics remain unchanged -- it is a science and technology company, privately held with no stock, held in trust by a board of national trustees, with no affiliation with any telecommunications providers. Dr. Miller stated that Mitretek has an in-depth understanding of INC guidelines.

Dr. Miller stated that Mitretek's proposal proposed centralized databases and defined a transition plan with specific details. He stated that the transition plan remains unchanged at this time; however, Mitretek plans to transition in less than half the time, that is, in 9 rather than 18 months. With respect to Mitretek's staff, Dr. Miller indicated that some of the Mitretek team remains in place in McLean today and that Mitretek has initiated discussion with members previously asked during the development of its original bid. He indicated that a limited number of numbering experts exist.

On the issue of price, Dr. Miller acknowledged that Mitretek's price was twice as high as Lockheed Martin's. Dr. Miller stated, however, that the level of effort was dramatically different. Since that time, the staffing and price exceeded the 120% level at which additional fees are allowed.

With respect to the price for CO Code Administration and NPA Relief Planning, Thousands Block Pooling and the upgraded CO Code Survey, Dr. Miller indicated that the staff level proposed in its bid is now comparable to Lockheed Martin's current staff level, rather than the staff level proposed in Lockheed Martin's bid. Dr. Miller indicated that Mitretek did not see any increase in costs over its original proposal. Dr. Miller also noted that currently NPA relief planning is at 68, whereas Lockheed Martin had projected between 30-40 and Mitretek estimated 62-78 codes. Dr. Miller indicated that Mitretek is willing to compare the price it bid against Lockheed Martin's price with the additional staffing and code increases, as compared to its bid price. Regarding thousands block pooling administration, which was included in the Mitretek proposal, Dr. Miller indicated that Mitretek would be willing to back that cost out of its 1997 bid, if NANC so desires.

Cathy Handley, PCIA, asked if Dr. Miller's statement could be made available to the NANC. Dr. Miller indicated that a soft copy of the statement would be provided to the Council after the close of the meeting. Paul Hart, USTA, stated that it would be helpful to know what specific COCUS activities were included in Mitretek's bid. Dr. Miller stated that he could provide that information. With respect to CO Code Administration and NPA Relief Planning, Jerry O'Brien, Omnipoint, questioned if such extraordinary functions, such as the court reporter requirement in California, had been included in Mitretek's original bid. Dr. Miller confirmed that it was included in Mitretek original bid.

Beth O'Donnell, NCTA, questioned whether this would be an award of the Mitretek bid or transfer of the contract and terms of the Lockheed Martin bid. Dr. Miller stated Mitretek is offering services in accordance with its May 1997 proposal -- all functions at the price it had bid. He stated, however, that if the NANC wanted Mitretek to back out functionalities from the bid, such as upgrades to the COCUS and thousands block pooling administration, Mitretek would do that. Andrea Cooper, AirTouch, questioned whether Mitretek is interested in the LNPA/LLC portion of the numbering matters. Dr. Miller stated that Mitretek is only interested in the NANPA portion; otherwise, Mitretek would have vertical monopoly concerns. Shawn Murphy, AT&T, asked whether Mitretek's bid included administrative design, labor and systems development. Dr. Miller indicated that the bid included all aspects. Mr. Murphy as if Warburg would be interested in only LLC portion of the numbering matters. Mr. Ganek stated that Lockheed Martin would not be interested in separating the functions.

NANPA Oversight Working Group Report. Chairman Hasselwander stated that Andrea Cooper would provide the report, and then the NANC should consider the formation of issue teams. He indicated that the Working Group has a list of questions that it developed at its recent meeting. The NANC also should consider providing direction to the NANPA OS WG on whether to focus its attention on the annual review of the NANPA's performance. Chairman Hasselwander stated that he believed it would be appropriate to focus attention in parallel with the matter of the neutrality of Lockheed Martin and its request to transfer the CIS unit.

Ms. Cooper provided a position statement and a list of 12 questions formulated by the NANPA OS WG. (See NANPA OS WG Handout for list of 12 questions). Ms. Cooper read the following position statement:

"NANPA Oversight does not believe it is in the purview of this working group to address any of the legal issues associated with the CIS divestiture proposal; in particular, the interpretation of the FCC order relative to the Mitretek issue.

NANPA Oversight believes we can provide input to the NANC regarding neutrality, competency, performance stability and financial viability of the NANPA at CIS/Warburg.

The NANPA Oversight WG recommends that CIS/Warburg respond to the relevant sections of the original NANC NANPA Requirements Document dated 2-20-97.

Ms. Cooper stated that the NANPA incumbent should be subject to an annual review as required by *Third Report and Order*, CC Docket 92-237. The NANPA OS WG goal is to complete the compliance matrix by January 11; the NANPA OS WG's current meeting agenda sets Friday as the date on which it will discuss the compliance matrix, with the proposed work plan to be presented to the NANC by its January 19-20 meeting.

Chairman Hasselwander asked whether NANC members had any comments or discussion regarding the position statement, specifically what role does the NANC expect the NANPA OS WG to perform. He asked whether the NANC concurs in the position statements above. No NANC members expressed differing views.

Peter Guggina, MCI WorldCom, added that the changes to Mitretek's original proposal, based on Dr. Miller's statement today, should be evaluated by the NANPA OS WG. Shawn Murphy, AT&T, asked Lockheed Martin if the FCC gave the NANPA function to Mitretek, as alternate, how the LNP function would be handled. Mr. Ganek stated that Lockheed Martin thinks in terms of the totality of the numbering functions -- that is, that LNP and NANPA go together.

Proposal: Chairman Hasselwander proposed that the NANPA OS WG questions presented should be taken as material for the NANC's consideration and, if the NANC agrees, given to an issue management group. Additionally, the NANC should direct the NANPA OS WG to now focus on the annual review of Lockheed Martin's performance. The NANC unanimously agreed to adopt this proposal.

Chairman Hasselwander, noting the short time period for the NANC's recommendation to the FCC and the deadline for public input, January 22 and March 17, respectively, the Chairman stated that he is looking for volunteers -- individuals who will put an issue paper together of appropriate questions for the NANC's January meeting and, subsequently, consider what recommendation would be appropriate to make to the FCC. This group would be focusing and gathering whatever information is necessary for consideration by the NANC at its January meeting.

In response to Chairman Hasselwander's proposal, an issue management team was formed, consisting of Dan Hochvert, Bell Atlantic; Ron Havens, Sprint; Bill Adair, SBC; Beth O'Donnell, NCTA; and Peter Guggina, MCI WorldCom. The Issue Management Team will provide the NANC with materials for review and consideration (electronically) at least 48 hours in advance of the NANC's January 19-20 meeting. Bernie Harris, GTE, requested information from the Issue Management Team on how individual NANC members could participate by providing input and ideas. Chairman Hasselwander requested that the Issue Management Team organize and advise the NANC as soon as possible on how input from

the NANC members can be provided to the Team. Peter Guggina, MCI WorldCom, agreed to set up the initial conference call.

Chairman Hasselwander asked whether there were any other issues concerning the CIS proposal. Peter Guggina, MCI WorldCom, asked whether the sale of CIS constitutes a "default" under the Requirements Document" and whether the FCC's rules had been violated. Mr. Guggina suggested that this is a legal issue not to be addressed by the Issue Management Team and suggested that it avoid any such tangential issues, if possible. Dan Hochvert, Bell Atlantic, agreed with the statement.

Chairman Hasselwander stated that as an outcome, the NANC wants a NANPA and LNP process to proceed seamlessly and economically and to ensure the neutrality of the NANPA. As far as legal questions, Chairman Hasselwander indicated that the NANC is not in a position to deal with it at this time. Cathy Handley, PCIA, also agreed that the legal should come from the FCC. Kris Monteith, FCC, stated she believed that the best use of NANC resources would be to address the issues in public notice and the letter from Yog Varma to Chairman Hasselwander. Ms. Monteith suggested that the NANC not look at the legal issues at this time.

Chairman Hasselwander urged the Issue Management Team to look at the Public Notice for guidance. Peter Guggina, MCI WorldCom, added that it would be helpful not to look at the core issues at this time -- but rather to focus on the development of issues and questions as requested by the Bureau and the Commission.

There being no further business, Chairman Hasselwander thanked all of the parties to the call and adjourned the meeting. In closing, Chairman Hasselwander indicated that the NANC members would have an opportunity to make input into this process and would receive materials in advance of the January 19-20, 1999, face-to-face meeting, to be held at the FCC, 1919 M Street, Room 856.

Apologies were extended to the Canadian participants for the conference bridge difficulty.

VI. Action Items and Decisions Reached.

1. An Issue Management Team was formed, comprised of Dan Hochvert, Bill Adair, Beth O'Donnell, Peter Guggina and Ron Havens. The Team will review the FCC Public Notice, consider the questions presented by the NANPA Oversight Working Group and draft and distribute a document for consideration by the full NANC 48 hours prior to the NANC January 19-20, 1999 meeting. The proposed list will consist of questions/issues to be provided to the Chief, Common Carrier Bureau, in response to the letter from Yog R. Varma, Deputy Chief, Common Carrier Bureau, dated January 7, 1999. Peter Guggina will organize the initial conference call of the Team and will notify the full NANC on how it may provide input to the Team on the issues.

2. The NANPA Oversight Working Group will focus on the completion of the compliance matrix for use in the annual review of the NANPA. A report on the work plan will be provided at the January 19-20, NANC meeting.



PUBLIC NOTICE

FEDERAL COMMUNICATIONS COMMISSION
1919 M STREET, N.W.
WASHINGTON, D.C. 20554

News Media Information (202) 418-0500.
Internet <http://www.fcc.gov>

DA 99-117
Released: January 7, 1999

**FCC SEEKS COMMENT ON REQUEST FOR EXPEDITIOUS
REVIEW OF THE TRANSFER OF THE LOCKHEED MARTIN
COMMUNICATIONS INDUSTRY SERVICES BUSINESS**

CC Docket No. 92-237
NSD File No. 98-151

Issues and/or Questions Due: January 22, 1999
Comments on Lockheed Martin Request Due: March 17, 1999

INTRODUCTION

The Common Carrier Bureau (Bureau) hereby gives notice of a December 21, 1998 filing by Lockheed Martin IMS Corporation (Lockheed Martin) of a Request for Expeditious Review of the Transfer of the Lockheed Martin Communications Industry Services (CIS) Business to a new independent company, Warburg, Pincus & Co.¹ The CIS business unit of Lockheed Martin IMS currently serves as the North American Numbering Plan Administrator (NANPA).

To ensure the most comprehensive review of the Lockheed Martin Request, the Bureau seeks input from the public on issues that the Commission should address in considering this matter of significant public interest. Comments should be filed in accordance with the procedures outlined below.

¹ In the Matter of Request of Lockheed Martin Corporation and Warburg, Pincus & Co. for Review of the Transfer of the Lockheed Martin Communications Industry Services Business from Lockheed Martin Corporation to an Affiliate of Warburg, Pincus & Co., CC Docket No. 92-237, NSD File No. 98-151 (Dec. 21, 1998) (Lockheed Martin Request).

BACKGROUND

In an order released on July 13, 1995,² the Commission established the North American Number Council (NANC) pursuant to the Federal Advisory Committee Act (FACA).³ The *NANP Order* directed the NANC to recommend to the Commission and to other member countries of the North American Numbering Plan (NANP) a neutral entity to serve as the NANPA and a mechanism for recovering the costs of NANP administration in the United States. The Commission's charge that the NANC recommend an impartial NANP administrator is consistent with Congress' directive in section 251(e) of the Communications Act of 1934, as amended by the Telecommunications Act of 1996,⁴ that the Commission designate an impartial numbering administrator to make telecommunications numbering available on an equitable basis.

On October 9, 1997, the Commission affirmed the NANC's selection of Lockheed Martin as the NANPA, subject to conditions outlined in the order and to the rules proposed by the NANC to govern the activities of the NANPA.⁵ The Commission also accepted the NANC's recommendation that Mitretek Systems (Mitretek) serve as the alternate NANPA, to assume NANPA responsibilities for the remainder of the five-year term, if it wished to do so, should Lockheed Martin not perform the NANPA functions in a satisfactory fashion.⁶

The NANPA is required by statute and by the Commission's rules to assign and administer NANP resources in an efficient, effective, fair, unbiased, and non-discriminatory manner.⁷ For this reason, in its February 20, 1997 NANP Administration Requirements Document (Requirements Document), the NANC established specific criteria to ensure the neutrality of the NANPA.⁸ In general, the NANPA must be a "non-governmental entity that is not aligned with any particular telecommunications industry segment."⁹ More specifically, the

² Administration of the North American Numbering Plan, *Report and Order*, CC Docket No. 92-237, 11 FCC Rcd 2588, 2590 (1995) (*NANP Order*).

³ 5 U.S.C., App. 2.

⁴ Telecommunications Act of 1996, Pub. L. No. 101-101, 110 Stat. 56 (1996).

⁵ In the Matter of Administration of the North American Numbering Plan and Toll Free Service Access Codes, *Third Report and Order and Third Report and Order*, CC Docket Nos. 92-237 and 95-155, FCC 97-372 (rel. Oct. 9, 1997) (*NANP Administration Third Report and Order*).

⁶ *NANP Administration Third Report and Order* at para. 67.

⁷ See 47 U.S.C. § 251(e); 47 C.F.R. § 52.13(b).

⁸ Requirements Document at section 1.2

⁹ Requirements Document at section 1.2

Requirements Document establishes that the NANPA may not be an affiliate of any telecommunications service provider, and defined the term "affiliate."¹⁰

In its *NANP Administration Third Report and Order*, in evaluating possible NANP administrators, the Commission addressed questions that had been raised about Lockheed Martin's neutrality.¹¹ Although the Commission determined that Lockheed Martin IMS could serve as the NANPA without compromising the purposes of the statute and the resulting neutrality criteria, it also stated that if Lockheed Martin or its affiliates in the future offer common carrier services that are more than *de minimis* in nature, we would reconsider the issue of Lockheed Martin's neutrality under section 52.12 of the Commission's rules and consider ways to ensure continued neutrality.¹²

Lockheed Martin assumed the NANPA functions in February 1998¹³ and will have assumed the central office (CO) code administrator functions from all 11 regional CO code administrators by early June 1999.¹⁴ Recently, the Commission was placed on notice that Lockheed Martin is seeking to acquire Comsat Government Services, Inc., a wholly owned subsidiary of Comsat, to facilitate the strategic aims of Lockheed Martin's newly formed Global Telecommunications subsidiary.¹⁵ On October 22, 1998, Lockheed Martin issued a report to the NANC, following upon several previous reports to the NANC, in which Lockheed Martin announced its intention to divest the CIS unit, in order to adhere to the Commission's neutrality requirement for the NANPA, as the third party administrator of numbering resources. The Lockheed Martin Request, outlined below, describes Lockheed Martin's proposed divestiture of the CIS unit.

¹⁰ Requirements Document at section 1.2.

¹¹ *NANP Administration Third Report and Order* at paras. 70-81.

¹² *NANP Administration Third Report and Order* at para. 81.

¹³ The Commission's order required Bellcore, the previous NANPA, to transition the NANP functions to Lockheed Martin no later than 90 days after selection of Lockheed Martin. *NANP Administration Third Report and Order* at n.226.

¹⁴ *NANP Administration Third Report and Order* at n.226. Although the 18-month time frame provided by the Commission for the transition of the Central Office (CO) code administration functions from the 11 regional CO code administrators to Lockheed Martin does not expire until August 1999, Lockheed Martin will complete the transition schedule in advance of that time frame.

¹⁵ Lockheed Martin Corporation, Regulus, LLC, COMSAT Corporation, and COMSAT Government Services, Inc., application to International Bureau, Satellite Policy Branch, Report No. SPB-139 (rel. Oct. 23, 1998). COMSAT holds a 214 authorization to provide international common carrier services.

OVERVIEW OF LOCKHEED MARTIN REQUEST

In its filing, Lockheed Martin states that it has signed an agreement (Transaction Agreement) to sell its CIS business unit to CIS management and an affiliate of E. M. Warburg, Pincus & Co. (Warburg), Warburg, Pincus Equity Partners, L.P. (WPEP).¹⁶ Pursuant to the Transaction Agreement, 95% of Lockheed Martin's equity interest in CIS will be acquired by CIS Acquisition Corporation, a newly organized corporation, and WPEP. The remaining 5% interest will be maintained by Lockheed Martin.¹⁷

According to Lockheed Martin, the Transaction Agreement is structured so that the newly formed CIS Acquisition Corporation "stands in the shoes of its predecessor."¹⁸ Lockheed Martin maintains that the restructured CIS will deliver the same services using the same systems, processes and staff, and that all of the staff, systems and infrastructure required to deliver CIS services will transfer from Lockheed Martin to the newly structured CIS.¹⁹ Lockheed Martin states that the restructured CIS will offer services under the identical pricing, terms and conditions agreed to in CIS's response to the Requirements Documents and in subsequent industry-approved statements of work.²⁰

According to Lockheed Martin, the proposed transfer of the CIS business will serve the public interest. First, Lockheed Martin maintains that the CIS sale will be seamless to the industry and to CIS customers. As such, the proposed transfer is intended to ensure CIS's continued ability to provide "high quality neutral third party numbering administration services."²¹

Second, Lockheed Martin states that the restructured CIS business will have a stable, reliable and broad-based financial investor in Warburg. In this regard, Lockheed Martin notes that Warburg intends that CIS have access to the resources it needs to fulfill its existing commitments and to grow and develop.²²

¹⁶ Lockheed Martin Request at 1, 5.

¹⁷ Lockheed Martin Request at 6.

¹⁸ Lockheed Martin Request at 6.

¹⁹ Lockheed Martin Request at 6.

²⁰ Lockheed Martin Request at 6.

²¹ Lockheed Martin Request at 9-10.

²² Lockheed Martin Request at 10.

Third, Lockheed Martin states that the ownership of the CIS business by Warburg will ensure that CIS's operations remain neutral.²³ Lockheed Martin claims that, as a financial investor, Warburg does not have the same neutrality conflicts as an operating company. Lockheed Martin claims that Warburg will depend on CIS' management team to lead and manage CIS.²⁴ Although Lockheed Martin acknowledges that Warburg has certain telecommunications interests, it maintains that those telecommunications investments currently account for less than five percent of the value of Warburg's total private equity investments and that Warburg does not have a vested interest in the outcome of numbering administration decisions.²⁵

Lockheed Martin also states that CIS and Warburg have committed to a Code of Conduct to further ensure that neutrality is maintained. According to Lockheed Martin, the Code guarantees that CIS will manage all of its operations in competitively neutral ways that meet the needs of the industry, that all service providers are treated equally, and that the confidentiality of all CIS data is maintained.²⁶ In addition, CIS will conduct at its expense, "audits of its adherence to and performance relative to the neutrality requirements of the industry."²⁷ Moreover, Lockheed Martin states that Warburg also has agreed to be bound by certain additional conditions "to ensure the continued neutrality of CIS regardless of the telecommunications interests of its parent company."²⁸ Finally, any future investments by Warburg's private equity funds in telecommunications service providers, that meet the NANPA affiliation thresholds, would be the subject of discussions between Warburg and the Commission as to appropriate informational barriers, safeguards or other alternatives to preserve the service levels and neutrality of the CIS business.²⁹

REQUEST FOR PUBLIC COMMENT

The NANP is the basic numbering scheme for the telecommunications networks located in 18 countries, including the United States, U.S. territories, Canada and countries in the Caribbean. Because of the importance of the NANPA's neutrality to the administration of numbering resources on a neutral, fair, effective and efficient basis, the Bureau seeks to ensure a comprehensive review of the Lockheed Martin Request. Moreover, because of the nature of the functions performed by the NANPA, the Bureau believes that public input into the review of

²³ Lockheed Martin Request at 12.

²⁴ Lockheed Martin Request at 13-14.

²⁵ Lockheed Martin Request at 15-19.

²⁶ Lockheed Request at 20.

²⁷ Lockheed Martin Request at 20.

²⁸ Lockheed Martin Request at 20.

²⁹ Lockheed Martin Request at 21.

the Lockheed Martin Request is particularly important. For these reasons, the Bureau has determined that interested parties should be permitted to raise reasonable and relevant questions concerning the Lockheed Martin Request and adopts the following procedures for this purpose:

- (1) Interested parties should submit to the Bureau issues and/or questions that they believe should be addressed by Lockheed Martin before the Commission reaches a determination on the Lockheed Martin Request. All issues and/or questions must be filed with the Bureau on or before January 22, 1999.
- (2) After evaluating all issues and questions raised by commenters, to ensure that the subject matter is relevant to the decision that must be reached by the Commission and to avoid duplication of issues and questions, the Bureau will forward, as soon as possible, a consolidated list of issues and questions to Lockheed Martin for response.
- (3) Lockheed Martin should respond to all issues and questions propounded by the Bureau within 15 days following receipt of the issues and questions from the Bureau. If it objects to responding to an issue or question, Lockheed Martin should state with specificity the nature of the objection. Thereafter, the Bureau may issue further rulings on the objections.
- (4) The Bureau will place Lockheed Martin's responses on public notice as soon upon receipt as possible. The Bureau seeks comment from the public by March 17, 1999, on whether it should recommend to the Commission that the Lockheed Martin Request be granted, with or without any conditions.

Examples of the kinds of issues on which the Bureau seeks public input by January 22, 1999, include, but are not limited to, the following:

- (1) the neutrality of the CIS Acquisition Corporation, on the basis of the neutrality criteria set forth in the Requirements Document, as well as the Commission's rules and orders;
- (2) the ability of the CIS Acquisition Corporation to perform the functions of the NANPA in accordance with the Requirements Document;
- (3) the commitment of the CIS Acquisition Corporation to perform the functions of the NANPA at the price agreed to by Lockheed Martin; and,
- (4) the ability and commitment of the CIS Acquisition Corporation to fulfill the remainder of Lockheed Martin's current term as NANPA, without compromising its neutrality and the resources needed to administer the NANP.

The Bureau also recognizes that the Commission adopted the NANC's recommendation that Mitretek serve as the alternate NANPA, to assume NANPA responsibilities for the remainder of the five-year term should Lockheed Martin not perform the NANPA functions in a satisfactory fashion. We note that Mitretek has urged the Commission to name it, the designated alternate, as the NANPA successor to Lockheed Martin.³⁰ For this reason, the Bureau also seeks public input on issues and questions that Mitretek should be permitted to answer following procedures identical to those outlined above. Example of issues or questions for Mitretek might include:

- (1) the ability of Mitretek to perform the functions of the NANPA in accordance with the Requirements Document;
- (2) the price at which Mitretek would agree to perform the functions of the NANPA and its ability and commitment to fulfill the remainder of Lockheed Martin's current term as the NANPA, without compromising its neutrality and the resources needed to administer the NANP; and,
- (3) the manner in which Mitretek would transition the NANPA responsibilities to ensure a transparent and seamless transfer from the standpoint of the industry.

Interested parties also may wish to raise questions for either Lockheed Martin or Mitretek concerning the impact of the transfer of the NANPA functions from Lockheed Martin to a new entity on the other 18 members of the NANP and on the seven LLCs in the United States.

Finally, the Bureau notes that it is also contemporaneously requesting the NANC to provide its input to the Bureau on the issues and questions that should be directed both to Lockheed Martin and to Mitretek. Based on the NANC's expertise, the Bureau believes its input will assist the Commission in reaching a decision that ensures the NANPA's neutrality to the administration of numbering resources on a neutral, fair, effective and efficient basis.

PROCEDURAL MATTERS

Proposed issues and/or questions on the Lockheed Martin Request must be filed with the Bureau by **January 22, 1999**. Comments on the Lockheed Martin Request must be filed with the Bureau by **March 17, 1999**. Parties should reference **CC Docket No. 92-237 and NSD File No. 98-151** in their comments. Parties may obtain the Lockheed Martin Request at the NANC website, www.fcc.gov/ccb/Nanc. The Lockheed Martin Request is available for public inspection and copying in the Network Services Division Public Reference Room, Room 220, 2000 M Street, NW, Washington, DC 20554. Copies of the Lockheed Martin Request also are available from ITS, at 1231 20th Street, NW, Washington, DC 20036, or by calling (202) 857-3800.

³⁰ See, e.g., Letter from Dr. H. Gilbert Miller, Vice President, Center for Telecommunications and Advanced Technology, Mitretek, to Lawrence E. Strickling, Chief, Common Carrier Bureau, FCC, dated Dec. 8, 1998. Mitretek's December 8 letter is available on the NANC website, www.fcc.gov/ccb/Nanc, or from the Network Services Division Public Reference Room at the address provided below.

Comments may be filed using the Commission's Electronic Comment Filing System (ECFS) or by filing paper copies.³¹ Comments filed through the ECFS can be sent as an electronic file via the Internet to <<http://www.fcc.gov/e-file/ecfs.html>>. Generally, only one copy of an electronic submission must be filed. If multiple docket or rulemaking numbers appear in the caption of this proceeding, however, commenters must transmit one electronic copy of the comments to each docket or rulemaking number referenced in the caption. In completing the transmittal screen, commenters should include their full name, Postal Service mailing address, and the applicable docket or rulemaking number. Parties may also submit an electronic comment by Internet e-mail. To get filing instructions for e-mail comments, commenters should send an e-mail to ecfs@fcc.gov, including "get form <your e-mail address>" in the body of the message. A sample form and directions will be sent in reply. Comments may be filed using the Commission's Electronic Comment Filing System (ECFS) or by filing paper copies.³²

This proceeding is considered exempt for *ex parte* purposes. 47 C.F.R. §§ 1.1200(a), 1.1204(b). Interested parties should file an original and four copies of their comments with the Office of the Secretary, Federal Communications Commission, 445 Twelfth St., S.W., Room TW-A325, Washington, D.C. 20554. In addition, parties should send two copies to Jeannie Grimes, Common Carrier Bureau, FCC, Suite 235, 2000 M Street, N.W., Washington, D.C. 20554, and one copy to ITS, at 1231 20th Street, N.W., Washington, D.C. 20036.

FOR FURTHER INFORMATION CONTACT: Kris Monteith at (202) 418-1520 or Jared Carlson or Jeannie Grimes at (202) 418-2320. The address is: Network Services Division, Common Carrier Bureau, Federal Communications Commission, 2000 M Street, NW, Suite 235, Washington, D.C. 20054. The fax number is: (202) 418-2345. The TTY number is: (202) 418-0484.

³¹ See *Electronic Filing of Documents in Rulemaking Proceedings*, 63 Fed. Reg. 24,121 (1998).

³² See *Electronic Filing of Documents in Rulemaking Proceedings*, 63 Fed. Reg. 24,121 (1998).

January 7, 1999

VIA FACSIMILE

Alan Hasselwander
Chairman
North American Numbering Council
4140 Clover Street
Honeoye Falls, New York 14472-9323

Re: Number American Numbering Plan Administration

Dear Chairman Hasselwander:

As you know, several months ago the Commission learned that Lockheed Martin IMS Corporation (Lockheed Martin), the North American Numbering Plan Administrator (NANPA), is seeking to acquire Comsat Government Services, Inc., a wholly owned subsidiary of Comsat, to facilitate the strategic aims of Lockheed Martin's newly formed Global Telecommunications subsidiary.¹ On October 22, 1998, Lockheed Martin issued a report to the North American Numbering Council (NANC), following upon several previous reports to the NANC, in which Lockheed Martin announced its intention to divest its Communications Industry Services (CIS) unit, in order to adhere to the Commission's neutrality requirement for the NANPA. Thereafter, on December 21, 1998, Lockheed Martin filed a request for expeditious review of the transfer of the CIS unit to a new independent company, Warburg, Pincus & Co.²

The NANPA's neutrality is critical to the Commission's and industry's need that numbering resources be administered on a neutral, fair, effective and efficient basis. In its *Third Report and Order*, the Commission addressed questions that had been raised about Lockheed Martin's neutrality during the evaluation of possible NANP administrators. Although the Commission determined that Lockheed Martin IMS could serve as the NANPA

¹ Lockheed Martin Corporation, Regulus, LLC, COMSAT Corporation, and COMSAT Government Services, Inc., application to International Bureau, Satellite Policy Branch, Report No. SPB-139 (rel. Oct. 23, 1998). COMSAT holds a 214 authorization to provide international common carrier services.

² In the Matter of Request of Lockheed Martin Corporation and Warburg, Pincus & Co. for Review of the Transfer of the Lockheed Martin Communications Industry Services Business from Lockheed Martin Corporation to an Affiliate of Warburg, Pincus & Co., CC Docket No. 92-237, NSD File No. 98-151 (Dec. 21, 1998) (Lockheed Martin Request).

without compromising the purposes of the statute and the resulting neutrality criteria, it stated that if Lockheed Martin Corporation or its affiliates in the future offer common carrier services that are more than *de minimis* in nature, we would reconsider the issue of Lockheed Martin's neutrality and consider ways to ensure continued neutrality. The Commission also accepted the NANC's recommendation that Mitretek Systems serve as the alternate NANPA, to replace Lockheed Martin, if Lockheed Martin defaulted on its obligations as NANPA, or if it is determined that Lockheed Martin had not performed those functions in a satisfactory fashion.

To ensure the most comprehensive review of the Lockheed Martin Request, the Common Carrier Bureau (Bureau) has determined to seek input from the public on issues and questions that the Commission should address in considering whether to grant the request, with or without conditions. The Bureau released a public notice to this effect on January 7, 1999.³ Interested parties are required to submit issues and/or questions to the Bureau by January 22, 1999.

Based on the NANC's expertise, the Bureau also believes that the NANC's input would assist the Commission in reaching the appropriate decision. Accordingly, the Bureau hereby requests that the NANC provide the Bureau with a list of recommended issues and/or questions that should be directed to Lockheed Martin with respect to its December 21, 1998 request for transfer of the CIS unit. The NANC also should address issues and/or questions that Mitretek should be permitted to answer, in light of Mitretek's position that the Commission should name it, the designated alternate, as the NANPA successor to Lockheed Martin.⁴ Consistent with the due date for input from all interested parties, the Bureau requests that the NANC provide its submission to the Bureau by January 22, 1999.

³ *FCC Seeks Comment on Request for Expeditious Review of the Transfer of the Lockheed Martin Communications Industry Services Business*, Public Notice, DA 99-117, rel. Jan. 7, 1999.

⁴ *See, e.g.*, Letter from Dr. H. Gilbert Miller, Vice President, Center for Telecommunications and Advanced Technology, Mitretek, to Lawrence E. Strickling, Chief, Common Carrier Bureau, FCC, dated Dec. 8, 1998. Mitretek's December 8 letter is available on the NANC website, www.fcc.gov/ccb/Nanc, or from the Network Services Division Public Reference Room at the address provided below.

Alan Hasselwander
January 7, 1999
Page 3

The Bureau appreciates the NANC's assistance. The Bureau is confident that the NANC's recommendations will help ensure that the NANPA continues to administer numbering resources on a neutral, fair, effective and efficient basis.

Sincerely,

Yog R. Varma
Deputy Chief
Common Carrier Bureau

cc: Mr. Jeff Ganek, Lockheed Martin IMS Corporation
Dr. H. Gilbert Miller, Mitretek Systems

Some Issues and Questions Concerning the Request of Lockheed Martin to Transfer the Communications Industry Services (CIS) Business

1. What guarantees are necessary to assure that key personnel will be retained and that competent personnel in sufficient numbers will be retained to perform North American Numbering Plan Administrator (NANPA) responsibilities?
2. What guarantees are necessary to assure that key personnel will be retained and that competent personnel in sufficient numbers will be retained to perform Local Number Pooling Administrator (LNPA) responsibilities?
3. What guarantees are necessary to assure that adequate technical and financial support will be provided by Warburg, Pincus & Co. so that NANPA requirements, LNPA requirements, and additional potential duties in the future, e.g. number pooling or location portability can be effectively accomplished?
4. What guarantees are necessary to assure that Warburg, Pincus & Co. will continue to sponsor and support NANPA and Number Portability Administration Center (NPAC) activities through at least the life of the award, and will do so while maintaining required levels of neutrality?
5. Should Warburg, Pincus & Co. provide a detailed synopsis of its financial and corporate structure as well as its financial holdings and investments, so that we can understand its capabilities and assess its level of neutrality?
6. If we conclude that Warburg, Pincus & Co. is appropriately neutral, what assurances should be provided guaranteeing that neutrality will be maintained during the period of the award?
7. What guarantees are necessary from Lockheed Martin to assure that the NANPA and the LNPA will operate smoothly and effectively, and without disruption to NANPA or LNPA activities, during the period leading up to a transition and during the transition, regardless of what successor organization is chosen?
8. Why does Lockheed Martin want to maintain a 5% interest in the Communications Industry Services Business?

Questions for Mitretek Systems, Inc. (Mitretek)

1. If Mitretek were chosen to be the successor as the NANPA, what assurances and guarantees should Mitretek give that it will perform those duties effectively and that any transition will be accomplished smoothly and effectively?
2. If Mitretek is chosen to be the successor as the NANPA, what guarantees should Mitretek give to assure that it will maintain an adequate level of competent personnel to perform the required duties?
3. If Mitretek is chosen to be the successor as the NANPA, what assurances and guarantees should Mitretek give that it will provide the financial resources necessary to support the NANPA including potential duties in the future (for example 1000 block number pooling administration)?
4. Would Mitretek, if chosen as the NANPA, agree to perform the NANPA responsibilities at a cost no higher than would be incurred if Lockheed Martin would continue to be the NANPA throughout the current award period?

NANPA Oversight questions concerning Lockheed Martin/CIS/Warburg Pincus transition.

NANPA Oversight Position Statement:

NANPA Oversight does not believe it is in the purview of this working group to address any of the legal issues associated with the CIS divestiture proposal; in particular, the interpretation of the FCC order relative to the Mitretek issue.

NANPA Oversight believes we can provide input to the NANC regarding neutrality, competency, performance stability and financial viability of the NANPA at CIS/Warburg.

The NANPA-Oversight WG recommends that CIS/Warburg respond to the relevant sections of the original NANC NANPA Requirements document dated 2-20-97.

In addition to these positions, the NANPA-Oversight would like to have answers to the following questions:

1. What role does the NANC expect the NANPA Oversight WG to perform? Does the NANC concur with the position statements above?
 2. Has Warburg committed to keep CIS for the remainder of the contracts for both NANPA and the NPACs. (e.g. completing the duration remaining of the contract(s))
 3. Has any consideration been given to having LM divest separately the ownership of either the NANPA or NPAC? (These two functions were bid separately by the industry and were not considered a "package". Transferring them as a "package" does not allow the industry a potential for vendor diversity.)
 4. Has CIS/Warburg considered employee conflict of interest between their ownership of CIS and possible holdings in other telecommunications companies as measured against the NANPA neutrality requirement? Will restrictions be required on employee investments in the telecommunications segment?
 5. What is the financial backing arrangement between CIS and Warburg over the life of the contract?
 6. How will the industry be assured that the CIS/Warburg commitment to not exceed the 10% investment in any telecommunications service provider be maintained in light of their dynamic investment portfolio? (The NANPA-Oversight WG is concerned that the industry may be faced with constant re-evaluation of CIS/Warburg neutrality and that the proposed quarterly audit may not be sufficient.)
 7. What interaction is required among the NANC, the FCC and the other NANP member countries with respect to the transfer of LM NANPA to CIS/Warburg?
 8. Is it expected that NANPA will exceed their stated assumptions of CO code assignments per year (10,000), number of NPA s requiring relief per year (30 to 40) or the number of NPA relief meetings per year (12 per NPA) by 20%? If yes, will additional funding be requested, if so provide an estimate of when and level of the increase?
 9. Would a proposed price increase by the NANPA have any bearing on approving the transfer of NANPA from LM to CIS/Warburg vs. LM to Mitretek?
-

- 10. Who would absorb the costs for the transition from LM to CIS/Warburg? How would this transition be done? This would involve changes to guidelines, industry notification and other contact details.**
- 11. The NANPA-Oversight WG believes that there is value in completing the first annual performance review prior to any decision relative to the possible transfer of NANPA responsibilities.**
- 12. Why does Warburg want to purchase LM CIS?**

NANC Version

Lockheed Martin CIS Issue Management Report

1. The FCC's January 7, 1999 Letter and Public Notice requested NANC to provide input on issues and questions that should be directed to both Lockheed Martin and Mitretek.

- The questions and issues for Lockheed pertain to its December 21, 1998 request for transfer of the CIS unit to Warburg Pincus.
- The FCC requested that NANC also address questions and issues that Mitretek should be permitted to answer, in light of Mitretek's position that the Commission should name it the designated alternate, as the NANPA successor to Lockheed Martin.

2. Issue Management Groups' General Conclusions:

- Neutrality is the key issue.
- Mitretek should not use the CIS sale as an opportunity to re-negotiate its NANPA bid.
- NANC is not being asked to consider if Mitretek has the right to be the successor to the NANPA.
- Any issues relating to the performance of Lockheed Martin as the current NANPA are not part of this matter and should be addressed and resolved separately using existing processes.
- Issues and questions should be relevant to the neutrality requirement and the ability of the vendor to perform its responsibilities.

3. Issues/Questions for Lockheed Martin:

- Will Warburg Pincus commit to retaining its CIS ownership position for the duration of the current "contract"? The oral response to this question on the NANC conference call was unsatisfactory.
- Will there be any systems, operational or administrative changes, whether direct or indirect, as a result of a CIS linkage change from Lockheed Martin to Warburg Pincus?
- Will Warburg Pincus provide indemnification to carriers using the NPAC and NANPA for damage that may occur as a result of the transfer of CIS ownership?
- Many issues and questions were addressed satisfactorily on the NANC conference call by both Lockheed Martin and Warburg Pincus. However, Warburg Pincus should provide detailed written responses to the questions asked on the NANC conference call.
- Warburg Pincus should assure that they comply with the neutrality rules now and going forward. Please provide sufficient detail to fully understand Warburg Pincus' view as to what level of investment in a company utilizing NANTP resources would result in non-compliance with the neutrality rules.

3. Con't.

- Lockheed's 5% equity stake in CIS may be a concern.
- Some of the Warburg Pincus telecommunications investments remain a concern. A more detailed disclosure of these holdings is requested. The 33% stake in CLEC Covad Communications is a particular concern despite the report that they do not use NANP numbers.

4. Issues/Questions for Mitretek:

- Have any changes occurred with Mitretek's business interests since the initial neutrality review that would impact neutrality compliance?
- Will Mitretek commit to the same terms and conditions as Lockheed Martin?
- Maintaining a high degree of NANPA performance is a key concern. How would Mitretek provide assurance that it could manage a NANPA transition from Lockheed without any interruption or negative impact to service providers and other users of the NANP?
- Will Mitretek provide indemnification to carriers for damages that may occur should it be designated as the NANPA successor?

January 19, 1999

Mr. Alan Hasslewander
Chairman
North American Numbering Council
4140 Clover Street
Honeoye Falls, New York 14472

Dear Mr. Hasslewander,

Written responses to the questions asked of Communications Industry Services (CIS) at the January 7, 1999 NANC teleconference are attached.

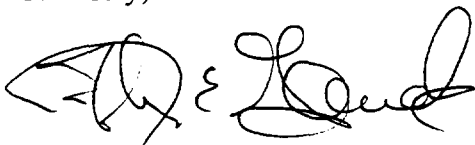
As discussed, we propose to restructure CIS as an independent, free standing corporation. I believe this structure offers the best solution available to maintaining CIS' neutrality. As an independent, free standing corporation, CIS' sole mission will be provision of high quality, reliable and neutral services. CIS will not be a competitor in telecommunications services markets.

We will deliver the same services at the same prices under the same contractual terms and conditions as we do today. There will be no change in prices as a result of the restructuring. Transition will be seamless and invisible to our customers.

Restructured, CIS will have the staff, infrastructure and resources necessary to meet our contractual commitments and customers' needs. Specifically, all the management and staff currently supporting CIS' NANPA and LNP operations will transfer to the new CIS. All CIS' systems and infrastructure will also transfer. And, we have arranged a strong financial base for CIS, with equity financing provided by E. M. Warburg, Pincus & Co. Warburg's aim is to support CIS' commitment to neutrality, high quality, reliability and responsiveness.

Please let me know if there is more we can do to facilitate NANC's review of this matter.

Sincerely,



Jeffrey E. Ganek
Senior Vice President and
Managing Director

**Answers to NANC Questions to the
Communications Industry Services (CIS) Unit of Lockheed Martin
Concerning Its Proposed Corporate Restructuring**

1. How will CIS protect the interests of its customers and continue to meet its service commitments during the transition from Lockheed Martin?

Until the FCC, NANC and the LNP LLCs approve the proposed corporate restructuring of CIS and the transaction closes, Lockheed Martin remains committed to the same FCC Orders and contractual terms and conditions. Lockheed Martin will continue to operate CIS as it has, providing high quality, reliable and neutral third party services. CIS remains an operating unit within Lockheed Martin. All employees, infrastructure and systems used to serve NANPA and LNP customers will continue to be managed by CIS.

When final approval for the restructuring of CIS is granted by the FCC, NANC and the LNP LLCs and the transaction closes, CIS will be established as a free standing, independent corporation. All of the management, employees, infrastructure and systems used by CIS will transfer to the new CIS. The same staff will continue to provide the same services using the same systems and infrastructure. Transition will be seamless and invisible for CIS' customers.

2. What technical or operating support has CIS received from Lockheed Martin and how will CIS manage its technology and operations as an independent company?

CIS has been an independent operating unit within Lockheed Martin. All of the staff required to deliver CIS services are employed by the CIS unit of Lockheed Martin and will transfer from Lockheed Martin to the newly structured CIS. The transition of all operations from Lockheed Martin to the newly structured CIS will be managed by the existing staff.

The existing management of CIS will play the same roles in the newly structured CIS, including Jeff Ganek (CEO), Joe Franlin (VP of Operations), Mark Foster (Chief Technical Officer), and Chris Rowe (VP of Finance). All CIS employees, including the staffs of the NANPA, the NPACs and the CIS Technical Staff, will join the new CIS as well. There are no Lockheed Martin employees outside of the CIS unit who have made material contributions to the development and operation of CIS' systems and services.

Similarly, all of the infrastructure and systems used by CIS to serve its NANPA and LNP customers will be transferred to and controlled by CIS. CIS will have control over all of the resources and capabilities it has used to date to meet its commitments.

Lockheed Martin has contractually committed to provide certain services and support after CIS' corporate restructuring. For example, Lockheed Martin office space currently used by CIS will be sub-leased to CIS for a time until CIS secures new facilities. Similarly, Lockheed Martin will provide accounting, cash operations and payroll services on a service bureau basis until CIS establishes its own financial operations. All services provided by Lockheed Martin are administrative support and not directly in the line of CIS' services to customers. CIS will notify all its customers of its administrative services transition plans. The administrative services will be transitioned from Lockheed Martin on an orderly basis within nine months of the effective corporate restructuring of CIS. The transition will be seamless and invisible to CIS' customers.

In the future, CIS will continue to maintain a strong technical and operating staff. As it has successfully in the past, the staff will work with customers to design systems and processes. And, the staff will identify the best suppliers in the market, when appropriate, to deliver the technologies and systems that are required by the systems designs. CIS will remain responsible and accountable for overall service and quality delivery.

3. Why does Lockheed Martin want to retain a 5% equity interest in CIS?

Lockheed Martin will retain a 5% equity interest in CIS. In choosing equity over cash for their remaining stake, Lockheed Martin is committing its own capital to the restructured business, thereby demonstrating its faith in the strength and future success of CIS. Lockheed Martin believes it can hold up to a 5% stake under existing Commission rules and LLC requirements and not threaten CIS' neutrality either in fact or appearance. Lockheed Martin will not be represented on CIS' board and will have no authority or influence on CIS' management and direction.

4. Has consideration been given to having Lockheed Martin divest separately the ownership of either the NANPA or NPAC?

No consideration has been given to having Lockheed Martin divest separately the ownership of either the NANPA or NPAC.

5. Will there be any change in the prices CIS charges for its NANPA or LNP services as a result of the proposed restructuring of CIS?

There will be no change in the contracted prices CIS charges for its NANPA or LNP services as a result of the proposed restructuring of CIS. Warburg and CIS commit that CIS will provide the same services to the same customers under the same contracted terms and conditions. No change in the terms or conditions of the LNP contracts or the NANPA FCC Order and rules will be sought as a result of the restructuring of CIS. CIS

commits to provide the same quality and responsiveness of service in the future as it has to date.

E. M. WARBURG, PINCUS & CO., LLC

466 LEXINGTON AVENUE, NEW YORK, N.Y. 10017-3147

January 19, 1999

Mr. Alan Hasslewander
Chairman
North American Numbering Council
4140 Clover Street
Honeoye Falls, New York 14472

Dear Mr. Hasslewander,

Warburg, Pincus believes that the Communications Industry Services (CIS) business unit of Lockheed Martin must be competitively neutral and must have the resources necessary to meet its commitments to its customers.

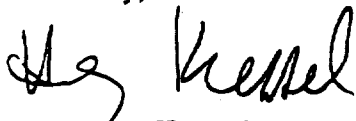
Warburg, Pincus also believes that CIS will best serve its mission as an independent, freestanding corporation. By doing so, the proposed structure offers strong protection from breeches of neutrality. CIS' neutrality will not be compromised so long as neutrality remains a key business objective.

CIS will continue to deliver high quality, reliable services as the North American Numbering Plan Administrator and as the Local Number Portability Administrator. The same services that CIS currently offers will continue to be provided by the CIS management team using the current CIS infrastructure. Existing contractual terms, conditions and prices will remain in effect.

Warburg, Pincus' intent is to provide the financial resources required to establish and to support CIS as an independent, freestanding corporation. Warburg's aim is capital appreciation of its investment over a term longer than that of CIS' existing NANPA and LNPA obligations. Warburg will not be involved in CIS' day-to-day operations. Instead, the company will be directed and operated by CIS management reporting to an independent Board of Directors. Warburg aims to support management at a Board level in any way possible in order for CIS to meet its stated business objectives.

At the NANC teleconference of January 7, 1999, many questions were asked of Warburg, Pincus. Written responses are attached hereto. Warburg, Pincus aims to cooperate with NANC's review of this matter. Please let me know if there is more I can do to help your efforts.

Sincerely,



Dr. Henry Kressel
Managing Director

HK:gg

**Answers to NANC Questions to Warburg, Pincus
Concerning the Proposed Corporate Restructuring of the
Communications Industry Services (CIS) Unit of Lockheed Martin**

1. Why does Warburg want to purchase CIS?

Warburg believes CIS is an excellent business that is attractive for long term growth and development. CIS is attractive because it has positive customer relations, effective and efficient operating systems, strong management and staff and a commitment to responsive, high quality service. Warburg intends to encourage CIS management to continue to nurture its commitment to quality and responsiveness.

Warburg aims to invest in CIS as part of its role as a U.S. based investment manager. Warburg is a leading manager of mutual funds and private equity investment funds. Institutional investors, mainly pension funds, buy limited partnerships in the funds. As the general partner, Warburg invests the funds in a broad portfolio of companies. Warburg's investment in CIS will come from Warburg, Pincus Equity Partners, L.P. ("WPEP"), a \$5 billion private equity fund that was raised in 1998. Warburg's aim for its investment in CIS is long term growth and appreciation of the CIS company.

2. Has Warburg committed to keep its investment in CIS for the remainder of the contracts for both NANPA and the NPACs (e.g., completing the duration remaining of the contracts)?

It is Warburg's strong intent to maintain its position in CIS through the termination of CIS' current NANPA and LNP contractual commitments. Warburg's investment objective for CIS is long term growth. Warburg has already made a larger financial commitment to CIS than Lockheed Martin. Warburg's investment will be best served by Warburg's long term commitment.

Warburg's regular practice with private equity is to invest for the long term. It typically aims at attractive returns over long horizons instead of seeking quick returns over short terms. Warburg's general practice is demonstrated in its nearly 30 year record of making long term investments in companies like CIS. The average duration of Warburg's investments from the start of the investment is approximately 6 years, although Warburg often maintains its investment positions as long as 10 years. Warburg intends its CIS investment to develop comparably to its other investments.

CIS will be a free standing, independent corporation. Like other private and public corporations, its ownership may vary over time. However, Warburg intends to maintain a strong interest in CIS through the life of CIS' existing customer contracts. Warburg aims

to facilitate a stable and reliable financial foundation for the company's long term operation, development and growth.

3. Does Warburg currently have investments that raise concerns about the neutrality of CIS if the proposed restructuring of CIS is completed?

CIS and Warburg provided full disclosure of Warburg's investments in telecommunications service providers in their request for expeditious review of the transfer of the Lockheed Martin CIS business filed with the Commission on December 21, 1998.

Warburg's investments in telecommunications do not create a vested interest in numbering administration. Warburg Pincus' telecommunications interests are a small portion of the company's overall interests. Warburg Pincus currently manages five private equity funds with approximately \$6 billion invested in more than 100 portfolio companies, with approximately \$5 billion available for new investments. Telecommunications investments currently account for less than five percent of the value of Warburg Pincus' total private equity investments.

Because of the size of its funds under management and its objective of maintaining a well-diversified portfolio of investments, any investments in telecommunications service providers are, therefore, *de minimis* in relation to WPEP and to the overall investment portfolio of Warburg Pincus. Thus, Warburg Pincus' investments in telecommunications entities, when compared to its overall investments, would not create within CIS a vested interest in administering number resources to the advantage of any of Warburg Pincus' investments.

An examination of each of the three "affiliated" telecommunications companies held in other Warburg Pincus private equity funds, as set forth in the request for review, further supports the conclusion that CIS remains neutral under Warburg Pincus ownership. Warburg Pincus indirectly holds a greater than 10 percent interest in Covad Communications Company, Esprit Telecom Group plc, and Primus Telecommunications Group, Inc. In addition, Warburg Pincus holds a six percent interest in NTL Telecommunications, Inc. Descriptions of Warburg's interests are as follows:

Covad Communications Company is a packet-based dedicated digital services provider. Although Covad is an authorized competitive local exchange provider ("CLEC") in 12 states, it does not operate as a common carrier service provider and does not use numbering resources.

Esprit Telecom Group plc ("Esprit") is a Pan-European telecommunications operator serving mid-sized business and professional customers. Esprit holds a single U.S. international 214 authorization for the resale of infrastructure-based services between the

U.S. and all permissible points. The vast majority of Esprit's operations and its headquarters are in Europe and have no relation to U.S. telecommunications services or the NANP. Although Warburg Pincus now indirectly owns approximately 12 percent of Esprit, Esprit has announced an agreement to sell the company to Global Telesystems Group, Inc. ("GTS"). Following the closing of the transaction, Warburg Pincus' interest will fall below five percent. Esprit is not assigned U.S. carrier identification codes ("CIC") and does not use telephone numbers. Thus, Esprit poses no threat to CIS's neutrality and will no longer be an attributable interest following the closing of the GTS transaction.

Primus Telecommunications Group, Inc. ("Primus") provides non-U.S. telecommunications services, international private line services, domestic U.S. wholesale transport services and a small amount of other services. The other services include: reorigination services, private networks, pre-paid and calling cards.

NTL Telecommunications, Inc. ("NTL") is a provider of local and international telecommunications services, as well as cable, Internet, and broadcast services, in the United Kingdom. NTL holds two U.S. international 214 authorizations for the provision of international message services between the U.S. and any permissible international point. Warburg Pincus indirectly owns approximately six percent of NTL.

In addition, Warburg Pincus Asset Management presently has one investment representing greater than 5 percent (but less than 10 percent) of a telecommunications company. Although Warburg Pincus Asset Management buys and sells securities in the ordinary course of its business, appropriate informational barriers are in place to prevent the passage of information between asset management personnel and private equity personnel.

CIS' neutrality will not be impacted by Warburg's role in the Warburg Pincus Global Telecommunications Mutual Fund. The Fund is a small fund (approximately \$2.5 million in assets) that is marketed to investors by Warburg Pincus Asset Management. However, its portfolio is managed by an independent money manager, Credit Suisse. Warburg has no control or influence over the investments in the Fund. Therefore, the Fund does not impact Warburg's or CIS' neutrality.

Warburg Pincus' investments in telecommunication companies, therefore, do not pose a threat to the neutrality of the CIS business. As a broad-based financial investor rather than a strategic buyer, Warburg Pincus is particularly suited to acquire the CIS business.

4. How will Warburg ensure that no future investments by Warburg will raise concerns about the neutrality of CIS?

The proposed restructuring would establish CIS as a free standing, independent corporation, whose sole mission is the provision of neutral, third party services.

Warburg is committed to CIS' continued adherence to the strict neutrality requirements set forth in the Commission rules and required by CIS' customers.

CIS and Warburg have committed to a Code of Conduct to ensure that neutrality is maintained. The Code guarantees that: 1. The confidentiality of all CIS data is maintained, 2. CIS will treat all service providers equally, 3. No Warburg affiliate is unfairly benefited by CIS, and 4. Quarterly, CIS will at its own cost submit to its customers and industry regulators an audit demonstrating its neutral performance conducted by an independent entity. The Code and the audits ensure that CIS will be neutral in fact and appearance.

5. What will be Warburg's operating role in CIS?

Warburg will not be directly involved in the operations of CIS. Warburg relies on strong management teams to operate and direct the companies in which it invests. Warburg will rely on the existing management and staff of CIS to direct, manage and operate CIS.

Warburg will be represented on the board of CIS. CIS' by-laws will prohibit Warburg Pincus from voting a majority of the board. The board will include representatives from CIS management and independent, senior industry experts.

As a financial investor, Warburg will depend on CIS' management team to lead and manage a neutral CIS. As distinguished from a strategic/operating investor, financial investors typically look to achieve their financial return through investment insight and operating expertise of management teams at their portfolio companies. Strategic/operating investors, on the other hand, typically are looking to business synergies and integration with other, existing operations. Warburg, as a financial investor in CIS and other independent companies, is looking to create a portfolio of diversified investments each managed independently.

6. Will Warburg provide financial resources CIS requires to meet its commitments?

With Warburg support, CIS plans to grow during 1999 in terms of expenses needed to support additional staff, infrastructure and systems. Warburg and CIS management have no plans to reduce CIS' expenses or staff. Nor are there plans to downsize any CIS infrastructure or systems.

Warburg's strong intent is for CIS to grow and develop. Warburg's investment will be best served if CIS has the financial resources required to serve its customers. Warburg expects to provide additional financial resources to CIS when required and appropriate.

With Warburg, CIS will have access to as much or more financial capital and support as it had from Lockheed Martin. The cash resources Warburg has already committed to CIS

are larger than those committed by Lockheed Martin. Warburg is in the business of supporting the long term growth of its portfolio companies. Warburg frequently provides new rounds of financing to companies in which it invests, to the extent needed for those companies to grow and develop. Warburg has recently raised a new fund of \$5 billion that is available for investment in Warburg's portfolio companies.

7. What will Warburg do if the CIS venture becomes unprofitable?

CIS is profitable today in both its NANPA and LNP operations. Financial projections show continued profitability. It is not anticipated that CIS will become unprofitable.

Warburg has committed a large amount of capital to its CIS investment. When companies in which Warburg invests become unprofitable, Warburg supports management's efforts to improve operations and return the company to profitability. Warburg has broad experience successfully supporting companies through circumstances of replace scarce profits with reduced profitability.

If CIS becomes unprofitable, Warburg is likely to take the same actions as Lockheed Martin or another corporate (operating company) owner would, including a review of revenues and expenses, operating conditions and management of the company.

8. Will Warburg Pincus provide indemnification to carriers using the NPAC and NANPA for damage that may occur as a result of the transfer of CIS ownership?

Warburg and CIS are committed to making transition to the newly restructured CIS seamless and invisible to CIS' customers. The same services will be provided to the same customers under the same terms and conditions by the same CIS staff, systems and infrastructure.

Warburg will assume all the obligations and responsibilities set forth in the existing LLC contracts and in FCC rules and policy. Warburg has not considered obligations and responsibilities other than those already committed to by Lockheed Martin.

Answers to Questions Posed to Mitretek Systems
During the NANC Conference Call Meeting
7 January 1999

Paul Hart – USTA

What specific Central Office Code Utilization Survey (COCUS) activities were included in Mitretek's bid?

Answer: Mitretek proposed COCUS activities which met or exceeded those required by current NANP number resource assignment and administration guidelines and Central Office (CO) code assignment and administration guidelines. On the North American Numbering Plan (NANP) resource side, this included requesting and acquiring annually, seven-year forecasts of existing code holders future requirements (COCUS).

On the CO code resource side, the 1997 Mitretek proposal addressed the following included activities:

“...tracking CO code (NXX) assignments by NPA and regularly analyzing assignment trends, considering annual COCUS results, to capture any trends which indicate accelerated demand, thereby impacting the timing of the NPA exhaust. The new CO code database will be developed to allow Code Administrators to access data relating to utilization levels within each NPA on a real time basis.

Mitretek is aware that COCUS (Central Office Code Utilization Survey) is the primary tool used to perform this function. It is recognized that the overall code administration process (e.g., planning for number relief) is related to and will require exchange of information with the CO code (NXX) assignment process. Mitretek Code Administrators will track NXX assignments within NPAs to ensure efficient and effective utilization of numbering resources. Annual COCUS studies will be conducted utilizing projected demand forecasts, provided by code holders, to identify NPAs nearing exhaust. This data, combined with the tracking of day to day assignments, will strengthen the tools used by the administrators who will undertake more frequent analysis of trends, comparisons of COCUS forecasts to actuals, and revise projected NPA exhaust dates throughout the year thereby improving the identification of need for NPA relief.

Historical COCUS input data dating from 1 January 1992 will be required and of value to the new CO Code Administrator in the establishment of baseline data for forecasting and data modeling techniques. A review of history will also be helpful in identifying NPA specific trends. Mitretek will establish a database to capture all historical COCUS data, in the formats available, recognizing that changes in COCUS data collection may have occurred over the previous five years. This data will be collected on an NPA by NPA basis in cooperation with the incumbent administrator during the transition of the CO Code Administration function and will be integrated in the NPA COCUS databases for use in future trending and forecasting. Mitretek will assume full responsibility of updating the Mitretek databases once the information has been transferred from the incumbent. In addition to the raw data results, Mitretek will solicit any additional

information/explanation known to the incumbents regarding historical trends, year over year changes (i.e., large shifts in reserved or test NXXs) etc. This additional knowledge will assist in better understanding the COCUS results from a historical perspective and the value of the data for future use.

During the transition of an NPA, the Mitretek Transition team will solicit voluntary COCUS input from all code holders within the NPA. Where previous code holders may have hesitated in providing input to the incumbents, they may willingly supply this information following the transition of the function to a neutral third party. Mitretek will immediately, upon receipt of all additional COCUS input, reassess the forecasted exhaust date for each NPA and provide a report to the NANC within 30 days, identifying any additional NPAs anticipated to exhaust in the five year planning window, and not identified in the January 1997 report on the NANP. Code holders who have not submitted a COCUS in the previous 12 months and fail to provide a voluntary COCUS within 60 days, will be identified to the NANC. Mitretek will then integrate the results of the transition COCUS with the Administrators assignment database for real time tracking of code utilization and projected exhaust statements. A critical consideration in the transition of this function will be consistent relief planning processes for those NPAs where relief planning activity is in place. It will be necessary for Mitretek to understand local tools, data inputs and outputs used in each location in the development of existing relief plans. Mitretek considers it necessary to have a thorough understanding of the local environment relating to COCUS, including the status of competition in the provision of telecommunications services in the local area, identification of high growth/volatile areas and code related state regulatory activities.

The above activities exceed the basic COCUS requirements, but they set the stage for a COCUS that is database intensive and can provide real-time information to planners throughout the year. Following transition, Mitretek's proposal included more ambitious development to improve the accuracy and responsiveness of the COCUS: the inclusion of NXX line utilization data in the database and the development of advanced forecasting tools to predict impending jeopardy situations. Specifically, the Mitretek proposal stated:

"The COCA database will house all information involved with the COCA functions. This will include traditional information as contained in the LERG as well as new data elements describing the local environment needed to support relief planning (e.g., local dialing plans, NXX line utilization).

The final development effort is the application of advanced forecasting techniques to the number exhaust problem. This is also a highly rich field of study in other disciplines and a number of very powerful techniques have been developed (well beyond the linear projections historically used for exhaust planning). Mitretek has operational experience with moving average and exponential smoothing techniques as well as using filtering algorithms to remove seasonality and one time events from historical records. These techniques have been successfully applied to the forecasting of federal government traffic for use in large telecommunications procurements. The COCA database will contain a history of detailed information at the NXX level that has not been previously available. Coupled with better forecasts from tele-carriers as a result of Mitretek's neutrality, these techniques can reduce the surprises that result from each COCUS advancing the projected exhaust of NPAs from the previous COCUS and creating jeopardy situations.

The forecasting system was further described in Mitretek's answer to Question 3 of the Common Questions for NANP/CO Administration Respondents. That description is reproduced here:

"The NPA exhaust forecasting challenge is similar to the general problem of long term network planning: demand for resources must be anticipated long enough in advance to allow the resources to be provisioned in time. The time delay in resource provisioning in this case is the NPA relief planning cycle and the implementation time of the carriers. The requirement on the forecasting system is to project NPA exhaust far enough in advance to allow the relief process to function as designed.

As with any forecasting system, the future demand is uncertain and is affected by many factors. The qualities and capabilities of any model of future demand must address the following issues:

A forecasting system requires the appropriate level of historical data to operate properly. The basis of NPA exhaust prediction is the COCUS, which provides a count of the CO codes in use for the current year and a projection of the codes required for the next six years. The survey is submitted once each year by the companies that are actual code holders in the NPA being surveyed. The current NANP Administration then predicts the exhaust date for each NPA and publishes the results. More data points within the year would improve the accuracy of the forecast and would react more quickly to new trends.

Demand can accrue from normal growth. The forecasting system must be able to extract the nature of this growth from historical data. In many systems, this growth is not linear (e.g., population growth is often exponential, doubling in a fixed number of years). For these systems, linear projections will always underestimate the future demand until it is too late to react. The prediction function used in the model must be flexible enough to handle a wide range of growth situations.

There are some historical data points that either resulted from known one-time events or were anomalies and not indicative of the general growth trend. These data points must be removed from the historical set before the parameters of the growth prediction function are determined. The model must use mathematical techniques to identify these "outlier" data points and not require intervention by the user.

The nature of the demand growth may change over time. While enough history must be used to characterize a trend, too much history will keep the model from reacting to changes and identifying new trends. The method of handling historical data must be flexible in a model; the best parameters to use for a specific problem must be determined on a case-by-case basis.

Mitretek's forecast model has features that implement all of the above required capabilities. The combining of the traditional NANPA and COCA functions allows a more proactive approach to be taken to exhaust prediction. Mitretek's CO Code database will contain current and historical information on the number of codes utilized in each

NPA. At any given time, a six year projection based on the most current COCUS will also be available. Mitretek's analytic forecasting model can be run weekly (or even daily) as new assignment data is entered into the database. In addition, if the guidelines allowed, new forecast data should be obtained from a carrier when it is requesting its first code or when its actual code assignments during a year exceed its forecast for that year. In this way, the forecasting model can flag impending exhaust situations when they first manifest themselves instead of discovering a jeopardy situation already in progress at the annual COCUS review.

The Mitretek model will have several prediction functions built-in to identify a wide range of trend types. At a minimum, linear, higher order polynomial, and exponential functions will be used. Each individual run of the model will use a particular prediction function and historical data weighting data function. The best parameters for the prediction function for each NPA will be determined using autocorrelation techniques. Sensitivity runs will be made using different prediction functions; the model will automatically select the function with the highest confidence interval (minimum expected error).

Outlying data will be determined by identifying abrupt changes of three or more standard deviations from a trend identified by a prediction function.

Steep changes in trends will be tracked by searching for patterns of successively larger than expected deviations from the trend. If necessary, the curve will be divided into two or more functions by the model.

If analysis of the combined runs yields a significant change in the NPA exhaust prediction results, a new COCUS report could be issued to industry (guidelines permitting) along with all the supporting data and model results.

During the transition phase for the COCA functions, as historical data is entered into the COC database, Mitretek data analysts will determine the best set of prediction functions and data weighting functions to use for the model. Once the model comes on line, the operation will be automatic and will provide early warning of any unexpected condition within the numbering system.

The features of the Mitretek forecasting system that directly enhance the NPA exhaust prediction process are summarized in the following table:

Quality/Capability

Feature

Application to Jeopardy

Appropriate historical data

Consistent, nationwide database. Continuous updating of assignment and new entrant data. Continuous running of forecast model.

More accurate forecast of exhaustion. More timely forecast of potential jeopardy situations.

Flexible prediction functions

Use of linear, higher order polynomial, and exponential functions.

Ability to model non-linear growth trends. More advance warning of explosive growth.

Identification of outlier data points

Use of automatic methods to detect data points more than three standard deviations from the trend.

Reduces false alarms and overreaction to one-time events versus trends.

Identification of changes in trends

Ability to use different prediction functions for different portions of a historical time line.

Early identification of an ever-increasing growth trend.”

Jerry O'Brien – Omnipoint

With respect to CO Code Administration and NPA Relief Planning, were extraordinary functions, such as the court reporter requirement in California, included in Mitretek's original bid?

Answer: Mitretek recognized throughout the CO Code Administration portion of its proposal that states could impose additional requirements on the code administrator. Mitretek's staffing and cost estimates included fulfilling these requirements. The following excerpts from Mitretek's proposal illustrate this point:

“In some states, the local regulatory environment may impose additional code assignment or NPA relief activities on the Code Administrator.

Mitretek recognizes that regulatory requirements may dictate additional events/timelines in particular states (e.g., California Public Utilities Code requires the NPA Relief Coordinator to conduct at least three public meetings in the affected geographical area) to give affected subscribers an opportunity to be heard on the potential impact of the proposal.

Andrea Cooper – AirTouch

Is Mitretek interested in the Local Number Portability Administration/Limited Liability Corporation (LNPA/LLC) portion of the numbering matters?

Answer: Mitretek is only interested in the NANPA portion; otherwise, Mitretek would have vertical monopoly concerns.

Shawn Murphy – AT&T

Mitretek stated that it included the future need for 1000s block pooling administration in the system design and concept presented in its original proposal. Did Mitretek's original

bid also include the systems development cost and labor to perform this function?

Answer: Yes. Mitretek's bid included the development of a system for CO Code Administration that would allow it to perform 1000s block pooling administration at no additional cost.

Beth O

Donnell - NCTA

Would the designation of Mitretek as the NANPA be an award of the Mitretek bid or a transfer of the contract and terms of the Lockheed Martin bid?

Answer: Mitretek, at the request of the Federal Communications Commission (FCC), will present a range of options regarding price and terms and conditions:

Mitretek's original bid, including the enhanced COCUS and 1000s block pooling administration and the staffing required to handle the increased workloads and state-specific functions now being encountered, will be honored at Mitretek's original price.

Mitretek will provide a revised price under its original terms and conditions, but with the removal of the enhanced COCUS and 1000s block pooling administration and the staffing required to handle state-specific functions.

Mitretek will provide a price based on the Lockheed Martin proposed workload and current staffing. Under this option, the FCC and the NANC would agree that the current level of Lockheed Martin's staffing and performance is acceptable.
